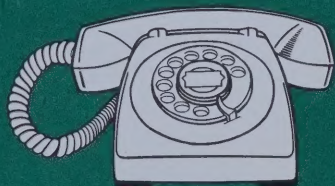


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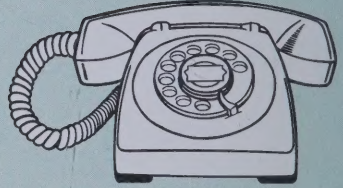
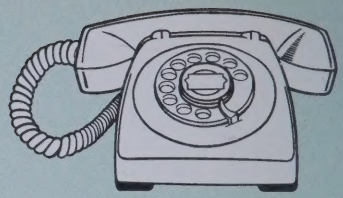
# Anglo- Canadian

Telephone  
Company

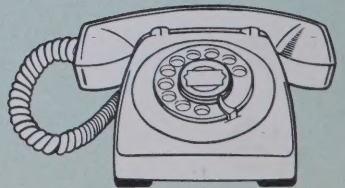
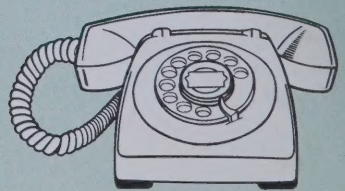


*Annual Report 1966*

715 VICTORIA SQUARE, MONTREAL 1, P.Q.



*1966*  
*Annual Report*



# Anglo- Canadian Telephone Company

INCORPORATED UNDER THE QUEBEC COMPANIES ACT

## Directors

THOMAS A. BOYD  
JACQUES BRILLANT  
JAMES J. CLERKIN, JR.  
ARISTIDE COUSINEAU  
JOHN J. DOUGLAS  
CYRUS H. MCLEAN  
DONALD C. POWER  
OSMOND B. THORNTON  
A. S. TORREY  
LESLIE H. WARNER

## Officers

JOHN J. DOUGLAS  
*President*  
THEODORE S. GARY  
*Vice-President*  
CAMERON HOUGH  
*Vice-President, Secretary and Treasurer*  
HAROLD H. HOWLETT  
*Assistant Secretary*  
RALPH D. HEUSEL  
*Assistant Treasurer*

## Transfer Agents and Registrars

CUMULATIVE PREFERRED STOCK  
The Royal Trust Company, Montreal, P.Q.,  
Canada  
Co-Transfer and Co-Registrar Offices at  
Toronto, Winnipeg, Vancouver, Saint John and  
Halifax  
COMMON STOCK  
The Company

# Anglo- Canadian Telephone Company

To the Shareholders:

13th March, 1967

Submitted herewith, is the Thirty-Second Annual Report of Anglo-Canadian Telephone Company covering operations of the Company and its subsidiaries for the year 1966 with comparative results for the preceding year. The balance sheets and the related statements of income and earnings retained for use in the business are presented on both a corporate and consolidated basis.

## IMPROVED EARNINGS

Consolidated net income for the year ended December 31, 1966 amounted to \$6,712,854, compared with \$5,060,279 in 1965.

Corporate net income for the year 1966 amounted to \$3,793,861, compared with \$2,395,217 in 1965.

A substantial portion of the indicated improvement in consolidated and corporate net income for the year 1966 is attributable to the inclusion of the results of operations of Cia. Dominicana de Telefonos, C. por A., a wholly-owned subsidiary which provides telephone service in the Dominican Republic. Income from this subsidiary was excluded from corporate and consolidated income in 1965 because of uncertainty as to the effect of the political and economic disturbances then existent in the Dominican Republic. Material improvement in both the political conditions and the economic outlook for the country since mid-1966 permitted the inclusion of the income of the Dominican subsidiary, amounting to \$861,711, in the consolidated accounts in 1966. Corporate net income for 1966 included accruals of interest, dividends and service fees from this subsidiary aggregating \$796,528. The actual receipt of such income will be delayed due to Exchange Control Regulations in the Dominican Republic as more fully discussed in the notes to the financial statements.

## ACQUISITION OF QUÉBEC-TÉLÉPHONE

During the year 1966, Anglo acquired 50.7% of the common stock of Québec-Téléphone (Québec) for a total consideration of \$31,448,000. Payment for these shares was made in part through the issuance and delivery of 180,000 shares of the Company's \$2.65 cumulative preferred stock of \$50 par value per share and the balance was paid in cash. To finance the cash requirements of this

purchase, Anglo sold 100,000 shares of its common stock to General Telephone & Electronics Corporation, its parent company, for \$10,000,000 and 180,000 shares of its \$3.15 cumulative preferred stock of \$50 par value per share to the public. The balance amounting to \$3,448,000, was provided from the Company's cash resources supplemented by short-term borrowing.

Québec and a wholly-owned subsidiary have two main areas of operations with a total population of over 500,000. The western division comprises portions of the area to the west of Quebec City on the north shore of the St. Lawrence River and south and east of Quebec City on the south shore. The eastern division comprises the south shore of the Lower St. Lawrence River including Rimouski County and all of the Gaspé Peninsula, and the north shore of the River extending from Forestville to the Labrador border with Anticosti Island being connected with the company's system by radio telephone.

Economic and industrial growth in the areas served by Québec-Téléphone has been substantial in recent years and new industries are being attracted. In the last ten years, capital expenditures of \$57,500,000 were made to increase the company's facilities and expand its services. Plans call for spending approximately \$15,600,000 in 1967 to meet the ever growing demand for telephone service. As at December 31, 1966, Québec and its subsidiary had 119,278 telephones in service, a gain of 10,487 over the previous year.

In 1966 the company's total operating revenues amounted to more than \$17,500,000 and net income amounted to \$1,700,000. The consolidated statements include Anglo's share of the results of operations of Québec from August 1 through December 31, 1966.

#### BRITISH COLUMBIA TELEPHONE COMPANY

Anglo owns 50.25% of the outstanding ordinary shares of British Columbia Telephone Company (Brico), which company now operates or controls approximately 99% of all the telephones in the Province of British Columbia.

During the year 1966, telephones in service in-

creased a record 51,565 as a result of internal growth. In December, 1966, Brico acquired 97.6% of the common stock of Okanagan Telephone Company in a cash transaction which added approximately 40,000 more telephones to the system, making a total of over 800,000 at year end. Total operating revenues increased \$12,826,250 or 13% in 1966 over the previous year, rising to \$112,526,763, and net operating income was up 7.7% to \$23,726,312. Earnings available for ordinary shares increased to \$11,144,318, compared with \$9,880,115 in 1965.

#### DOMINION DIRECTORY COMPANY LIMITED

The Directory Company, a subsidiary owned entirely by Anglo, sells directory advertising and supervises the publication of telephone directories for British Columbia Telephone Company and other telephone operating companies in Canada. Net income for 1966 was \$334,000, compared with \$274,600 in 1965.

#### CANADIAN TELEPHONES AND SUPPLIES LTD.

This subsidiary, wholly-owned by Anglo, provides contract installation services for British Columbia Telephone Company and other companies in Canada. The net income for the year 1966 was \$206,500, compared with \$135,900 for the previous year.

#### CONSTRUCTION PROGRAMS OF TELEPHONE SUBSIDIARIES

The construction programs for 1967 for Anglo's telephone operating subsidiaries, as now planned, total \$82,682,000. The expansion and service improvements planned will provide a strong base for increased revenues and net income in 1967 and in future years.

On Behalf of the Board of Directors,



President.

# Anglo- Canadian

Telephone

Company (Incorporated under the Quebec Companies Act)

## Balance Sheets as at December 31, 1966 and 1965

### Assets

	1966	1965
INVESTMENTS — substantially at cost (Notes 2 and 3)		
Subsidiary companies .....	\$91,934,780	\$60,486,658
CURRENT ASSETS		
Cash .....	\$ 300,895	\$ 435,966
Income taxes recoverable .....	—	14,000
Due from subsidiary companies (Note 2) .....	4,060,855	1,410,711
	<u>\$ 4,361,750</u>	<u>\$ 1,860,677</u>
UNAMORTIZED DEBT DISCOUNT AND EXPENSE	\$ 109,243	\$ 125,136
	<u>\$96,405,773</u>	<u>\$62,472,471</u>

### Liabilities and Capital

#### SHAREOWNERS' EQUITY

CAPITAL STOCK (Note 4)		
Common .....	\$11,046,850	\$10,046,850
Preferred .....	37,500,000	19,500,000
	<u>\$48,546,850</u>	<u>\$29,546,850</u>
PREMIUM ON CAPITAL STOCK .....	25,308,247	16,308,247
EARNINGS RETAINED FOR USE IN THE BUSINESS —		
Unappropriated (Note 7) .....	11,508,399	10,945,293
Appropriated for general contingencies .....	425,000	425,000
	<u>\$85,788,496</u>	<u>\$57,225,390</u>

#### 6% SINKING FUND DEBENTURES SERIES A

DUE February 1, 1983 (Note 6) .....	\$4,420,000	
Less: Sinking fund instalment due		
February 2, 1967 .....	260,000	
	<u>\$ 4,160,000</u>	<u>\$ 4,420,000</u>

#### CURRENT LIABILITIES

Long-term debt — current sinking fund maturity (above)		
(less amount purchased for sinking fund) .....	\$ 199,000	\$ 86,000
Accounts payable .....	38,462	10,967
Accrued interest on debentures .....	108,975	112,650
Accrued dividends on preferred shares		
(subsequently declared) .....	269,238	169,542
Provision for income taxes .....	6,152	5,672
Notes payable to parent company .....	5,400,000	—
	<u>\$ 6,021,827</u>	<u>\$ 384,831</u>

#### DEFERRED CREDITS AND OTHER LIABILITIES

For employees' benefits .....	\$ 20,760	\$ 27,560
Provision for contingencies —		
subsidiary company (Note 9) .....	414,690	414,690
	<u>\$ 435,450</u>	<u>\$ 442,250</u>
	<u>\$96,405,773</u>	<u>\$62,472,471</u>

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Board of Directors

JOHN J. DOUGLAS, Director ARISTIDE COUSINEAU, Director

# Anglo- Canadian

Telephone

Company (Incorporated under the Quebec Companies Act)

## Statements of Income and Expenses

For the Years ended December 31, 1966 and 1965

### INCOME

	1966	1965
Dividends, interest and other income from subsidiaries (Note 2) .....	\$4,703,952	\$3,288,962
Other income .....	9,875	32,985
	<u>\$4,713,827</u>	<u>\$3,321,947</u>

### EXPENSES

General, administrative and contractual expenses .....	\$ 229,203	\$ 210,214
Interest and amortization of debt discount .....	686,747	298,296
Provision for income taxes .....	1,900	1,420
Other taxes .....	2,116	2,110
Provision for contingencies .....	—	414,690
	<u>\$ 919,966</u>	<u>\$ 926,730</u>
Net income for the year .....	<u>\$3,793,861</u>	<u>\$2,395,217</u>

## Statement of Earnings Retained

For use in the Business Unappropriated (Note 7)

For the Year ended December 31, 1966

Balance as at January 1, 1966 .....	\$10,945,293
Add: Net income for the year .....	3,793,861
	<u>\$14,739,154</u>

### Deduct:

Dividends paid or provided for —	
4½% cumulative preferred stock .....	\$ 281,250
\$2.90 cumulative preferred stock .....	362,500
\$2.65 cumulative preferred stock .....	582,817
\$3.15 cumulative preferred stock .....	20,196
Common stock (Note 4) .....	<u>1,587,496</u>
	2,834,259
Share issue expenses .....	<u>396,496</u>
Balance as at December 31, 1966 .....	<u>\$11,508,399</u>

The accompanying notes form an integral part of these financial statements.

# Anglo- Canadian

Telephone

Company and Subsidiaries

## Consolidated Balance Sheets (Note 1)

As at December 31, 1966 and 1965

### ASSETS

#### FIXED ASSETS

Land, buildings, plant and equipment, at cost (including  
\$32,403,017 being excess of carrying value of invest-  
ments in subsidiaries over underlying book values as  
of the dates of acquisition) .....

Less: Accumulated depreciation .....

1966	1965
\$634,540,841	\$447,627,554
120,499,202	86,910,717
<u>\$514,041,639</u>	<u>\$360,716,837</u>

#### CURRENT ASSETS

Cash .....

Bank deposit receipts .....

Accounts and notes receivable, less allowance  
for doubtful accounts .....

Due from affiliated companies .....

Materials and supplies, at cost .....

Prepayments .....

\$ 3,618,400	\$ 1,714,696
230,000	2,000,000
18,994,746	14,617,973
112,023	203,187
10,082,873	6,653,187
1,387,477	990,956
<u>\$ 34,425,519</u>	<u>\$ 26,179,999</u>

#### NON-CURRENT ASSETS

Special refundable tax .....

Other .....

\$ 1,250,426	\$ —
308,311	407,270
<u>\$ 1,558,737</u>	<u>\$ 407,270</u>

#### DEFERRED CHARGES

Unamortized debt discount and expense .....

Other deferred charges .....

\$ 5,227,721	\$ 3,583,769
5,372,202	2,856,632
<u>\$ 10,599,923</u>	<u>\$ 6,440,401</u>

<u>\$560,625,818</u>	<u>\$393,744,507</u>
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The accompanying notes form an integral part of these financial statements.

## LIABILITIES AND CAPITAL

### SHAREOWNERS' EQUITY

#### CAPITAL STOCK (Note 4)

Preferred .....	\$ 37,500,000	\$ 19,500,000
Common .....	11,046,850	10,046,850
	<u>\$ 48,546,850</u>	<u>\$ 29,546,850</u>
PREMIUM ON CAPITAL STOCK .....	25,308,247	16,308,247
EARNINGS RETAINED FOR USE IN THE BUSINESS —		
Unappropriated .....	26,854,049	23,422,122
Appropriated for general contingencies .....	1,017,168	974,438
	<u>\$101,726,314</u>	<u>\$ 70,251,657</u>

### PREFERRED SHARES OF SUBSIDIARIES

#### OWNED BY PUBLIC, AND MINORITY INTEREST

Preference and preferred shares (Note 5) .....	\$ 84,740,400	\$ 73,500,000
Minority interest in ordinary and common shares .....	68,163,934	57,096,910
	<u>\$152,904,334</u>	<u>\$130,596,910</u>

### LONG-TERM DEBT (Notes 6 and 7)

	<u>\$229,481,500</u>	<u>\$161,920,000</u>
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### CURRENT LIABILITIES

Long-term debt — current portion		
(less amount purchased for sinking fund) .....	\$ 2,329,000	\$ 86,000
Bank loans .....	24,443,000	—
Notes payable to parent company .....	5,400,000	—
Accounts payable .....	5,424,102	3,844,409
Accrued interest on long-term debt .....	3,446,194	2,524,108
Accrued dividends .....	2,244,610	1,865,386
Due to affiliated companies .....	5,258,033	4,232,506
Advance billings and payments .....	3,223,653	2,625,599
Provision for income taxes .....	6,636,933	6,058,536
	<u>\$ 58,405,525</u>	<u>\$ 21,236,544</u>

### DEFERRED CREDITS AND OTHER LIABILITIES

Deferred income taxes (Note 8) .....	\$ 17,402,823	\$ 8,670,544
Provision for contingencies —		
subsidiary company (Note 9) .....	414,690	414,690
Provision for employees' benefits .....	30,811	37,611
Other deferred credits .....	259,821	616,551
	<u>\$ 18,108,145</u>	<u>\$ 9,739,396</u>

### LONG-TERM COMMITMENT (Note 10)

	<u>\$560,625,818</u>	<u>\$393,744,507</u>
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# Anglo- Canadian Telephone Company and Subsidiaries

## Consolidated Statements of Income and Expenses

For the Years ended December 31, 1966 and 1965

	1966	1965
<b>OPERATING REVENUES —</b>		
Local service .....	\$ 64,723,191	\$ 56,070,375
Toll service .....	57,167,724	44,878,521
Miscellaneous .....	5,585,592	4,737,280
Less: Provision for uncollectible accounts .....	(1,084,876)	(1,099,014)
	<u>\$126,391,631</u>	<u>\$104,587,162</u>
<b>OPERATING EXPENSES AND TAXES —</b>		
Maintenance .....	\$ 24,134,776	\$ 19,725,216
Provision for depreciation .....	24,898,613	21,964,996
Traffic, commercial, general administrative and other .....	31,070,222	23,840,029
General taxes .....	4,506,989	3,445,270
Income taxes .....	14,584,580	12,930,372
Provision for deferred income taxes (Note 8) .....	321,148	—
	<u>\$ 99,516,328</u>	<u>\$ 81,905,883</u>
Net operating income .....	\$ 26,875,303	\$ 22,681,279
<b>OTHER INCOME —</b>		
Miscellaneous — net (including \$803,637 and \$335,791 interest charged to construction) .....	701,632	221,512
	<u>\$ 27,576,935</u>	<u>\$ 22,902,791</u>
<b>INTEREST AND OTHER DEDUCTIONS —</b>		
Interest on bonds and debentures .....	\$ 9,454,397	\$ 8,320,267
Other interest and amortization of debt discount and expense .....	1,580,835	359,790
Provision for contingencies .....	—	414,690
	<u>\$ 11,035,232</u>	<u>\$ 9,094,747</u>
Net income .....	\$ 16,541,703	\$ 13,808,044
Dividends of \$3,907,392 in 1966 and \$3,824,000 in 1965 to preference and preferred shareholders of subsidia- ries and minority interest of ordinary and common shareholders in the net income of subsidiaries for the year .....	9,828,849	8,747,765
Consolidated net income .....	<u>\$ 6,712,854</u>	<u>\$ 5,060,279</u>

The accompanying notes form an integral part of these financial statements.

# Anglo-Canadian

## Telephone Company and Subsidiaries

### Consolidated Statement of Earnings Retained for Use in the Business

For the Year ended December 31, 1966

UNAPPROPRIATED —	
Balance as at January 1, 1966 .....	\$23,422,122
Add: Net income for the year .....	6,712,854
	<u>\$30,134,976</u>

*Deduct:*

Dividends paid or provided for —	
4½% cumulative preferred stock .....	\$ 281,250
\$2.90 cumulative preferred stock .....	362,500
\$2.65 cumulative preferred stock .....	582,817
\$3.15 cumulative preferred stock .....	20,196
Common stock (Note 4) .....	1,587,496
	<u>\$2,834,259</u>
Share issue expenses and miscellaneous debits .....	403,938
Transfer to retained earnings — appropriated .....	42,730
Balance as at December 31, 1966 .....	<u><u>\$26,854,049</u></u>

APPROPRIATED FOR GENERAL CONTINGENCIES —	
Balance as at January 1, 1966 .....	\$ 974,438
Add: Transfer from retained earnings — unappropriated	42,730
Balance as at December 31, 1966 .....	<u><u>\$ 1,017,168</u></u>

The accompanying notes form an integral part of these financial statements.

# Anglo- Canadian Telephone Company and Subsidiaries

## Notes to Financial Statements

### As at December 31, 1966

1. All subsidiaries have been included in the consolidated financial statements.

In July 1966, the Company acquired control of Québec-Téléphone and the consolidated financial statements reflect the results of operations of that company from August 1, 1966. Equity ownership of this subsidiary amounted to 50.722% at December 31, 1966.

In December 1966, British Columbia Telephone Company, a partly-owned subsidiary, acquired 97.6% of the outstanding ordinary shares of Okanagan Telephone Company. The accounts of this company have been included in the consolidated financial statements to the extent applicable.

#### 2. CONSOLIDATED ACCOUNTS

The accounts of Compania Dominicana de Telefonos, C. por A., a wholly-owned subsidiary operating in the Dominican Republic, have been converted at par with the Canadian dollar for purposes of the consolidated financial statements.

In April 1965, an insurrection against the existing Dominican Government took place resulting in the armed intervention of an Inter-American Force; subsequently the political situation has become more stabilized. The Company's investment in and amounts due to the Company by Dominicana at December 31, 1966 aggregate \$8,832,909 and the net assets of Dominicana included in the consolidation aggregate \$14,169,361.

Due to exchange control restrictions in the Dominican Republic, as at December 31, 1966 the sum of \$1,896,490 (of which \$1,607,707 represents dividends declared and interest thereon and \$288,783 represents service fees) has not been remitted to the Company by Dominicana. Of this amount \$845,345 is in respect of 1966, \$796,087 is in respect of 1965 and \$255,058 is in respect of 1964 and prior years.

#### CORPORATE ACCOUNTS

As a result of the unsettled conditions which arose in 1965, the Company made no accruals in its books for dividends, interest and service fees from Dominicana applicable to that year, and intends to take such items into its corporate income when remittances in respect thereof are received. Since the situation has now become more stabilized, the Company has renewed its accruals of such income effective January 1, 1966, and accordingly corporate income for 1966 includes dividends, interest thereon, and service fees applicable to the current year, together with interest in respect of unremitted dividends of prior years.

3. In January 1959 Dominicana, under the terms of a contract with the then existing Government of the Dominican Republic, offered for sale to unspecified Dominican persons or entities 40% of its existing capital shares issued and outstanding. This offer expired without acceptance in January 1966. In January 1961, consequent upon an additional issue of 33,817 shares of Dominicana common stock to the Company, 40% of such shares (representing approximately 13% of the issued capital stock of Dominicana) were offered to unspecified Dominican persons or entities for a period of seven years from date of the offer. Although the Dominican Government acknowledged this offer, no acceptance of the offer has yet been received. Under the terms of the contract the Dominican Government also has the right to acquire at any time during the life of the contract the telephone, telegraph and radio-telegraph property and related assets and liabilities of Dominicana at underlying book value.

#### 4. CAPITAL STOCK

By supplementary letters patent dated April 13, 1966, 200,000 authorized and issued shares of Deferred Stock of the par value of \$10 per share were converted into 200,000 fully paid shares of Class A Stock of the par value of \$10 per share and thereafter all the authorized and issued shares of Class A Stock were redesignated as shares of Common Stock of the par value of \$10 per share resulting in an authorized common share capital of 1,700,000 shares of Common Stock of the par value of \$10 per share of which 1,004,685 shares were outstanding as fully paid.

By supplementary letters patent dated November 2, 1966 the authorized capital stock of the Company was increased by \$20,000,000 by the creation of an additional 400,000 shares of Cumulative Preferred Stock of the par value of \$50 per share. Further supplementary letters patent were subsequently granted designating 180,000 shares of Cumulative Preferred Stock of the par value of \$50 per share as \$3.15 Cumulative Preferred Stock.

The capital stock of the Company is as follows at December 31, 1966:

Authorized —

	Shares	Amount
Cumulative preferred stock (redeemable at \$53 per share) of the par value of \$50 per share . . . . .	1,000,000	\$50,000,000
Common stock of the par value of \$10 per share . . . . .	1,700,000	17,000,000
		<u>\$67,000,000</u>

Issued —

4½% cumulative preferred stock . . . . .	125,000	\$ 6,250,000
\$2.90 cumulative preferred stock . . . . .	125,000	6,250,000
\$2.65 cumulative preferred stock (of which 180,000 shares were issued as fully paid on July 21, 1966 in part payment of 681,470 common shares of Québec-Téléphone) . . . . .	320,000	16,000,000
\$3.15 cumulative preferred stock (of which 180,000 shares were issued for cash during the year) . . . . .	180,000	9,000,000
		<u>37,500,000</u>
Common stock (of which 100,000 shares were issued for cash on September 28, 1966 at \$100 per share). . . . .	1,104,685	11,046,850
		<u>\$48,546,850</u>

5. Outstanding Preference and Preferred Shares of Subsidiaries owned by Public:

British Columbia Telephone Company —

6% cumulative preference shares, par value \$100 each . . . .	\$ 1,000,000	
6% cumulative preferred shares, par value \$100 each . . . .	4,500,000	
5¾% cumulative redeemable preferred shares, par value \$100 each	10,000,000	
5.15% cumulative redeemable preferred shares, par value \$100 each	12,000,000	
4¾% cumulative redeemable preferred shares, par value \$100 each	7,500,000	
4¾% cumulative redeemable preferred shares (Series 1956), par value \$100 each . . . . .	7,500,000	
4½% cumulative redeemable preferred shares, par value \$100 each	5,000,000	
4¾% cumulative redeemable preferred shares, par value \$100 each	6,000,000	
4.84% cumulative redeemable preferred shares, par value \$25 each	<u>20,000,000</u>	\$73,500,000

Okanagan Telephone Company —

40¢ cumulative redeemable preferred shares, par value \$9 each . .		450,000
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Québec-Téléphone —

5% cumulative redeemable sinking fund preferred shares, par value \$20 each . . . . .	\$ 2,790,400	
4¾% cumulative redeemable preferred shares, par value \$20 each	<u>8,000,000</u>	10,790,400
		<u>\$ 84,740,400</u>

6. LONG TERM DEBT —

Anglo-Canadian Telephone Company —

6% Sinking Fund Debentures Series A due February 1, 1983 . .	\$ 4,420,000	
Less: Sinking fund instalment due February 2, 1967 . . . . .	<u>260,000</u>	\$ 4,160,000
(\$260,000 principal amount retired annually under Trust Deed)		

British Columbia Telephone Company —

First mortgage bonds

3¾% Series A due March 1, 1971 . . . . .	16,500,000	
3¾% Series B due March 1, 1971 . . . . .	3,000,000	
3¾% Series C due March 1, 1971 . . . . .	8,000,000	
4½% Series D due March 1, 1971 . . . . .	8,000,000	
4¾% Series E due October 1, 1975 . . . . .	7,000,000	
5% Series F due April 1, 1982 . . . . .	25,000,000	
5¾% Series G due November 1, 1983 . . . . .	20,000,000	
6% Series H due September 15, 1984 . . . . .	15,000,000	
5¾% Series I due August 1, 1985 . . . . .	15,000,000	
5¾% Series J due July 15, 1986 . . . . .	20,000,000	
5¾% Series K due April 15, 1988 . . . . .	20,000,000	
6¾% Series L due October 15, 1989 . . . . .	<u>30,000,000</u>	187,500,000

Okanagan Telephone Company —

First mortgage bonds

4% Series A due February 1, 1968 . . . . .	466,500	
4% Series B due February 1, 1968 . . . . .	106,500	
5¼% Series C due July 1, 1970 . . . . .	<u>512,500</u>	

Forward	1,085,500	\$191,660,000
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	Forward	\$ 1,085,500	\$191,660,000
Okanagan Telephone Company — (cont'd)			
General mortgage bonds			
5% Series A due July 1, 1971 . . . . .		398,000	
5% Series B due July 1, 1975 . . . . .		424,500	
6% Series C due July 1, 1977 . . . . .		363,000	
5¾% Series D due July 1, 1978 . . . . .		686,000	
6½% Series E due December 1, 1979 . . . . .		495,500	
6½% Series F due July 1, 1980 . . . . .		972,000	
5¾% Series G due July 1, 1984 . . . . .		1,649,000	
6¼% Series H due July 1, 1986 . . . . .		2,250,000	
		<u>8,323,500</u>	
Less: Current sinking fund requirement . . . . .		145,000	8,178,500
Québec-Téléphone —			
First mortgage sinking fund bonds			
3½% Series B due August 1, 1967 . . . . .		866,500	
4% Series C due August 1, 1967 . . . . .		828,500	
4¼% Series D due May 1, 1972 (payable in U.S. funds) . . . . .		865,000	
5% Series F due December 1, 1984 (payable in U.S. funds) . . . . .		2,910,000	
5½% Series G due October 15, 1982 . . . . .		4,541,000	
5½% Series H due June 1, 1987 . . . . .		5,640,000	
6% Series I due October 15, 1990 . . . . .		5,000,000	
		<u>20,651,000</u>	
Less: Current sinking fund requirement . . . . .		2,071,000	
		<u>18,580,000</u>	
General mortgage sinking fund bonds			
5¼% Series A due May 1, 1968 . . . . .		2,671,000	
5% Series B due October 1, 1976 . . . . .		888,000	
6% Series C due November 1, 1977 . . . . .		2,729,000	
5¾% Series D due April 1, 1983 . . . . .		4,775,000	
		<u>11,063,000</u>	29,643,000
			<u>\$229,481,500</u>

On January 2, 1967 Québec-Téléphone issued \$5,000,000 principal amount of 7% First Mortgage Bonds maturing January 2, 1989, the net proceeds of \$4,900,000 being applied against demand and short-term notes.

7. Under the terms of the Trust Deed pursuant to which the 6% Sinking Fund Debentures Series A were issued, the Company has covenanted that it will not, so long as any Series A Debentures remain outstanding, declare or pay any dividends (other than stock dividends or dividends on its cumulative preferred shares from time to time outstanding and fully paid up in cash), which would reduce the unappropriated surplus of the Company (unconsolidated) below the amount of \$4,083,011. As at December 31, 1966 the unconsolidated unappropriated surplus of the Company amounted to \$11,508,399.

8. Provisions have been made in this and prior years by charges against income in the net amount of \$17,402,823 for additional income taxes, payment of which has been deferred by claiming for income tax purposes capital cost allowances in excess of depreciation provided in the accounts. Of this amount, \$7,543,279 is applicable to Québec-Téléphone, which company has provided for deferred taxes up to and including 1966. The balance of \$9,859,544 is applicable to British Columbia Telephone Company and includes amounts provided by Okanagan Telephone Company. With effect from January 1, 1958, the amount of capital cost allowance claimed by British Columbia Telephone Company has been restricted to the amount of depreciation recorded in the accounts and accordingly no deferred taxes have been charged against that company's income for 1958 and subsequent years.

9. The provision for contingencies of \$414,690 was charged against income in 1965 to provide for unknown possible losses arising out of the insurrection in the Dominican Republic in April 1965. Dominicana is also being sued by its employees for damages of \$1,830,000 arising out of an alleged breach of the Dominican Labour Code. Counsel for Dominicana believes there are solid grounds on which to base the defence of that company and states that (a) it seems very unlikely that the amount claimed as damages would ever be awarded and (b) probably no liability will ultimately enure to that company from this law suit.

10. The pension liability for past service of all employees of British Columbia Telephone Company who were not eligible to retire was actuarially determined to be approximately \$22,000,000 as at December 31, 1964. Commencing January 1, 1965 that company is funding \$1,385,000 per annum which, it is estimated, will amortize the liability for past service together with interest thereon over twenty-five years. The unamortized pension liability is estimated to be \$20,992,400 at December 31, 1966.

# Auditors' Report

## RIDDELL, STEAD, GRAHAM & HUTCHISON

CHARTERED ACCOUNTANTS

630 Dorchester Blvd. W.  
Montreal 2

January 30, 1967

TO THE SHAREHOLDERS  
ANGLO-CANADIAN TELEPHONE COMPANY

We have examined the accompanying financial statements of Anglo-Canadian Telephone Company and subsidiaries for the year ended December 31, 1966, comprising the balance sheet and the consolidated balance sheet as at that date, and the statements of income and expenses and retained earnings for the year then ended and have obtained all the information and explanations we have required. Our examination of Anglo-Canadian Telephone Company and subsidiaries (except Québec-Téléphone) of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the consolidated financial statements of Québec-Téléphone.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies the aforementioned statements, when read in conjunction with the notes thereto and subject to the satisfactory outcome of the matters referred to in Note 2 and the effect thereof on the assets and earnings of the subsidiary referred to therein, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company and its subsidiaries as at December 31, 1966 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Riddell, Stead, Graham & Hutchison*  
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Auditors

